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Massachusetts Part B Income Tax Rate Set to Lower to 5.10%, Effective January 1, 2016

The Department of Revenue certifies final trigger, lowering income tax rate for 2016

BOSTON – Governor Charlie Baker and Lieutenant Governor Karyn Polito announced today that the final economic trigger was met in order to lower the state's income tax from 5.15% to 5.10%. The income tax cut for all Massachusetts residents will become effective January 1, 2016.

"Meeting the requirements needed to reduce the income tax rate is a sign that the Massachusetts economy remains strong," **said Governor Baker**. "Allowing citizens across the Commonwealth to keep more money in their pockets will allow the state's economy to continue growing in 2016."

"The will of the voters has persevered," **said Lieutenant Governor Polito**. "It's been 15 years since the voters first made this decision and every chance we get to provide more discretionary income is a good day for the Commonwealth and the taxpayers."

"The fiscal year 2016 budget revenue assumed effects of the lower tax rate to 5.10% and has been accounted for in the balance sheet," **said Kristen Lepore, Secretary of the Executive Office for Administration and Finance**. "This is good news for the taxpayers with no new impact on the state's fiscal outlook."

The Fiscal Year 2016 Budget accounted for \$74 million associated with the tax cut to 5.10% and \$152 million in the Fiscal Year 2017. The current year's revenue estimate already reflects the revenue impact from this rate decline.

A ballot initiative passed in 2000 called for the state's income tax to be reduced to 5% over time. Legislation was passed in 2002 that tied reducing the tax rate by 0.05 percentage points each tax year (until the Part B income tax rate is 5%), to certain economic triggers. First, the inflation adjusted growth in baseline tax revenues for the preceding fiscal year has to exceed 2.5 percentage points. The second trigger, completed on the 15th of each month between September and December, certifies that the inflation-adjusted growth in baseline tax revenues over the previous three months of the current calendar year compared to the same periods of the prior calendar year is greater than zero. Once the statutory triggers are met the rate is lowered by .05 percent until it reaches 5.0 percent. The charitable deduction will be restored the year after the tax rate is lowered to 5.0 percent. The last time all growth thresholds were met was in 2014.

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